

## SENATE BILL No. 505

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### DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 20-20; IC 20-46-4-6; IC 36-9-2.5.

**Synopsis:** Local government finance. Appropriates \$100,000,000 in 2016 and each year thereafter from the state general fund to be used to reduce school corporation transportation fund levies. Authorizes counties, cities, and towns to impose a separate property tax levy for an infrastructure fund. Provides that the maximum permissible levy for an infrastructure property tax levy is based on the amount of the reduction in school transportation fund levies. Specifies the infrastructure purposes for which money in an infrastructure fund may be used (after appropriation by the unit's fiscal body). Appropriates \$200,000,000 in 2016 and each year thereafter from the state general fund to provide circuit breaker replacement grants to school corporations that have circuit breaker reductions to their unprotected property tax levies of at least 10% or \$1,000,000.

**Effective:** July 1, 2015.

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January 14, 2015, read first time and referred to Committee on Appropriations.

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First Regular Session 119th General Assembly (2015)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2014 Regular Session and 2014 Second Regular Technical Session of the General Assembly.

## SENATE BILL No. 505

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 20-20-36.3 IS ADDED TO THE INDIANA CODE
- 2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
- 3 JULY 1, 2015]:
- 4 **Chapter 36.3. School Transportation Fund Replacement Grant**
- 5 **Sec. 1. As used in this chapter, "grant" refers to a school**
- 6 **transportation fund replacement grant distributed under this**
- 7 **chapter.**
- 8 **Sec. 2. As used in this chapter, "school corporation" does not**
- 9 **include a charter school.**
- 10 **Sec. 3. Each school corporation that imposes a property tax levy**
- 11 **for its school transportation fund is entitled to a school**
- 12 **transportation fund replacement grant under this chapter in 2016**
- 13 **and in each year thereafter. The amount of a school corporation's**
- 14 **grant for a year is equal to the result determined in the following**
- 15 **STEPS:**
- 16 **STEP ONE: Determine the result of:**



(A) the maximum permissible levy that the school corporation may impose under STEP THREE of IC 20-46-4-6(b) for the year before the year in which the grant will be distributed; divided by

(B) the sum of all maximum permissible levies that all school corporations may impose under STEP THREE of IC 20-46-4-6(b) for the year before the year in which the grant will be distributed.

**STEP TWO:** Multiply the STEP ONE result by one hundred million dollars (\$100,000,000).

**Sec. 4. (a)** The department of local government finance shall do the following before August 1 of each year:

(1) Determine the amount of the grant that a school corporation is entitled to receive under this chapter for the following year.

(2) Certify the amount determined for a school corporation under subdivision (1) to the auditor of state and to the school corporation.

**(b)** The auditor of state:

(1) shall before June 20 of each year distribute to each school corporation fifty percent (50%) of the grant to which the school corporation is entitled under this chapter for the year; and

(2) shall before December 20 of each year distribute to each school corporation the remaining fifty percent (50%) of the grant to which the school corporation is entitled under this chapter for the year.

**Sec. 5.** One hundred million dollars (\$100,000,000) is annually appropriated in 2016 and in each year thereafter to the auditor of state from the state general fund. The budget agency shall allot these amounts to the auditor of state without any reduction.

**Sec. 6.** A school corporation that receives a grant under this chapter shall deposit the grant in the school corporation's transportation fund. A school corporation may use a grant received under this chapter for any purpose for which money in the school corporation's transportation fund may be used.

SECTION 2. IC 20-20-41 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

#### **Chapter 41. Circuit Breaker Replacement Grant**

**Sec. 1.** As used in this chapter, "credit" refers to a credit granted under IC 6-1.1-20.6.



1       **Sec. 2.** As used in this chapter, "eligible school corporation"  
 2 means a school corporation that is eligible for a grant as provided  
 3 in section 6 of this chapter.

4       **Sec. 3.** As used in this chapter, "grant" refers to a circuit  
 5 breaker replacement grant distributed under this chapter.

6       **Sec. 4.** As used in this chapter, "school corporation" does not  
 7 include a charter school.

8       **Sec. 5.** The department shall administer the grant program  
 9 under this chapter.

10       **Sec. 6. (a)** Circuit breaker replacement grants shall be provided  
 11 under this chapter in 2016 and in each year thereafter.

12       **(b)** A school corporation is eligible for a circuit breaker  
 13 replacement grant under this chapter in 2016 and each year  
 14 thereafter if for that year the school corporation's unprotected  
 15 taxes (as defined in IC 6-1.1-20.6-9.8) will be reduced, before the  
 16 allocation of any credits under IC 6-1.1-20.6-9.9, by at least the  
 17 lesser of:

18           (1) ten percent (10%); or

19           (2) one million dollars (\$1,000,000);

20 because of the application of credits in that year.

21       **(c)** A school corporation must apply for a grant as prescribed by  
 22 the department. If a school corporation submits an application to  
 23 the department under this chapter, the department of local  
 24 government finance shall upon the request of the department  
 25 certify to the department:

26           (1) the total amount; and

27           (2) the percentage;

28 by which the school corporation's unprotected taxes (as defined in  
 29 IC 6-1.1-20.6-9.8) will be reduced because of the application of  
 30 credits.

31       **Sec. 7.** The amount of the grant to be distributed to an eligible  
 32 school corporation for a particular year is equal to the result  
 33 determined in the following STEPS:

34       **STEP ONE:** Determine the amount by which the eligible  
 35 school corporation's unprotected taxes (as defined in  
 36 IC 6-1.1-20.6-9.8) will be reduced because of the application  
 37 of credits in that year.

38       **STEP TWO:** Determine the sum of the STEP ONE amounts  
 39 for all eligible school corporations.

40       **STEP THREE:** Divide the STEP ONE result by the STEP  
 41 TWO result.

42       **STEP FOUR:** Multiply:



- (A) two hundred million dollars (\$200,000,000); by  
 (B) the STEP THREE result determined for the eligible  
 school corporation.

**STEP FIVE: Determine the lesser of:**

- (A) the STEP ONE result; or  
 (B) the STEP FOUR result.

**Sec. 8. (a)** Not later than June 1 of each year, the department of local government finance shall certify to the department an initial estimate of the grant amount to be distributed to each eligible school corporation for the year.

**(b)** Not later than December 1 of each year, the department of local government finance shall certify to the department a final determination of the grant amount to be distributed to each eligible school corporation for the year.

**(c)** The department of local government finance shall compute an amount certified under this section by using the best information available to the department of local government finance at the time the certification is made.

**Sec. 9.** Subject to section 10 of this chapter, the department:

- (1) shall before June 20 of each year distribute to each eligible school corporation an amount equal to fifty percent (50%) of the initial estimate of the grant to which the eligible school corporation is entitled under this chapter for the year; and  
 (2) shall before December 20 of each year distribute to each eligible school corporation the remaining fifty percent (50%) of the initial estimate of the grant to which the eligible school corporation is entitled under this chapter for the year.

**Sec. 10.** Based on the final determination of the grant certified to the department by the department of local government finance, the department shall settle any overpayment or underpayment of grant amounts to an eligible school corporation. The department may offset overpayments of grant amounts for a particular year against:

- (1) a grant; or  
 (2) a state tuition support distribution;

that the eligible school corporation would otherwise be entitled to receive for that year.

**Sec. 11.** Two hundred million dollars (\$200,000,000) is annually appropriated in 2016 and in each year thereafter to the department from the state general fund. The budget agency shall allot these amounts to the department without any reduction.

**Sec. 12.** An eligible school corporation shall deposit the amount



received from a grant into each of the eligible school corporation's funds based on each fund's proportionate share of the total amount by which the eligible school corporation's unprotected taxes (as defined in IC 6-1.1-20.6-9.8) will be reduced, before the allocation of any credits under IC 6-1.1-20.6-9.9, because of the application of credits.

SECTION 3. IC 20-46-4-6, AS AMENDED BY P.L.137-2012, SECTION 113, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]: Sec. 6. (a) The levy imposed for an assessment date before January 16, 2011, may not exceed the maximum permissible levy permitted under this section as this section was effective on January 1, 2011.

(b) Except as provided in subsection (c), the levy imposed for an assessment date after January 15, 2011, 2015, may not exceed the amount determined by multiplying: in the following STEPS:

(+) **STEP ONE: Determine the sum of:**

(A) the school corporation's maximum permissible levy for the fund for the previous year under this chapter, after eliminating the effects of temporary excessive levy appeals and any other temporary adjustments made to the levy for the calendar year (regardless of whether the school corporation imposed the entire amount of the maximum permissible levy in the immediately preceding year); ~~by plus~~

(B) the amount that was subtracted under STEP THREE when the school corporation's maximum permissible levy was determined for the previous year.

(-) **STEP TWO: Multiply the STEP ONE result by the assessed value growth quotient determined under IC 6-1.1-18.5-2.**

**STEP THREE: Subtract the amount to be distributed to the school corporation for the year under IC 20-20-36.3.**

(c) This subsection applies to a school corporation if the school corporation's maximum permissible levy for the fund for calendar year 2009 was at least twenty-four percent (24%) less than the school corporation's maximum permissible levy for the fund for calendar year 2008. For the purposes of determining the school corporation's maximum permissible levy for the fund for calendar year 2013, the amount determined under this subsection shall be used under **STEP ONE (A) of subsection (b)(+)(b)** as the school corporation's maximum permissible levy for the fund for the previous year. The school corporation shall be treated as having a maximum permissible levy for the fund in calendar year 2012 that is equal to the maximum permissible levy for the fund that the school corporation would have



had in calendar year 2012 if:

- (1) the school corporation's maximum permissible levy is recalculated for calendar year 2009 to eliminate any loss in the school corporation's maximum permissible levy for the fund; and
- (2) the school corporation is treated as having levied the entire amount of the school corporation's recalculated maximum permissible levy for the fund in 2009, 2010, and 2011;

as determined by the department of local government finance. The adjustment under this subsection is a permanent adjustment in the school corporation's maximum permissible levy for the fund.

SECTION 4. IC 36-9-2.5 IS ADDED TO THE INDIANA CODE AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2015]:

**Chapter 2.5. Property Tax Levy for Infrastructure**

**Sec. 1.** As used in this chapter, "eligible unit" means a county, city, or town.

**Sec. 2.** As used in this chapter, "infrastructure fund" refers to a local infrastructure fund established under section 3 of this chapter.

**Sec. 3. (a)** For 2016 and for each year thereafter, an eligible unit may impose a property tax levy under this chapter.

**(b)** A property tax levied under this section is in addition to any other property tax levied by the eligible unit. The property taxes collected from a property tax levy imposed by an eligible unit under this chapter shall be deposited in a local infrastructure fund established by the fiscal officer of the eligible unit.

**Sec. 4.** A property tax levy imposed under this chapter by an eligible unit under this chapter for a year may not exceed the result determined as follows:

**(1)** For a city or town, determine the sum of:

**(A)** the total amount by which the maximum permissible levy determined under IC 20-46-4-6 for the year for each school corporation containing territory within the city or town was reduced under STEP THREE of IC 20-46-4-6(b); multiplied by

**(B)** a fraction equal to:

- (i)** the amount of the school corporation's assessed valuation within the city or town; divided by
- (ii)** the total amount of the school corporation's assessed valuation.

**(2)** For a county, determine the sum of:

**(A)** the total amount by which the maximum permissible



levy determined under IC 20-46-4-6 for the year for each school corporation containing territory within the county was reduced under STEP THREE of IC 20-46-4-6(b); multiplied by

(B) a fraction equal to:

(i) the amount of the school corporation's assessed valuation in the county that is not within a city or town; divided by

(ii) the total amount of the school corporation's assessed valuation.

**Sec. 5. Money deposited in the fund by an eligible unit may be used only for the following purposes, after appropriation by the fiscal body of the eligible unit:**

(1) Carrying out any purpose for which money distributed to the eligible unit from the motor vehicle highway account fund may be used under IC 8-14-1.

(2) Carrying out any purpose for which money distributed to the eligible unit from the local road and street account may be used under IC 8-14-2-5.

(3) The designing, constructing, reconstructing, improving, repairing, renovating, acquiring, leasing, or financing of any of the following:

(A) Communications system infrastructure (as defined in IC 5-26-5-1).

(B) Improvements (as defined in IC 36-9-1-2).

(C) Infrastructure (as defined in IC 36-7-4-1308).

(D) Park and recreational facilities described in IC 36-10-1-2.

(E) Parking facilities (as defined in IC 36-9-1-3).

(4) Doing any of the following:

(A) Acquiring real property (or interests in real property) necessary for any capital improvement described in subdivision (3).

(B) Paying the principal and interest on bonds issued to finance any capital improvement described in subdivision (3).

(C) Paying lease rental payments on a lease entered into for any capital improvement described in subdivision (3).

(D) Making bond and debt service reserve insurance payments, and establishing, augmenting, or restoring any debt service reserve for bonds or leases described in this subdivision.

